



May 15, 2014

Committee on Detroit's Recovery and Michigan's Future
Anderson House Office Building
124 North Capitol Avenue
Lansing, MI 48909

Chairman Walsh and distinguished members of the Committee:

On behalf of the more than 90,000 activists of Americans for Prosperity-Michigan, I am writing in opposition to provisions contained within the Detroit Settlement and Bankruptcy Grant Package that would distribute hard-earned state tax dollars to the City of Detroit. Rather than pursuing another state bailout of Detroit, lawmakers should pursue reforms contained in this package of bills that would put Detroit on a responsible path toward recovery.

Detroit has received financial help and special treatment from state lawmakers time and time again. Unfortunately, like giving in to a spoiled child's demands, all this help seems to have perpetuated rather than solved the problem.

The city's political class has already balked at one of the most transformative reforms contained in this package—converting Detroit's traditional defined benefit pension system to a defined contribution retirement plan. This alone ought to cause state lawmakers to question whether Detroit's professed commitment to reform is genuine.

Many of the institutional changes contained in this package are laudable. However, they can be easily altered or poorly enforced by future administrations and future legislatures. Detroit must itself be willing to embrace change.

Detroit's staggering debt is the direct result of fiscal mismanagement, corruption and cronyism, yet city leaders have been reticent to take responsibility for bad past behavior. Instead of divesting assets and exploring opportunities for privatization, they have simply looked to Lansing for another bailout.

Americans for Prosperity-Michigan will continue to educate our members around the state on the many taxpayer concerns surrounding a Detroit bankruptcy deal that involves state funds. A state bailout of Detroit would establish a dangerous precedent that could lead other cash-strapped municipalities to seek fiscal favors from Lansing. It could also drive up the cost of borrowing for governments across Michigan by increasing the risk—and thus the cost—of lending money.

Please don't hesitate to contact me directly to discuss this issue more in depth, (517) 853-9073 or shagerstrom@afphq.org.

Sincerely,

Scott Hagerstrom
State Director
Americans for Prosperity-Michigan